

THE CAPITAL PUB COMPANY PLC

**Report and Financial Statements**

**Year ended 26 March 2011**

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16/09/2011  
COMPANIES HOUSE

**Company no. 4119367**

# **THE CAPITAL PUB COMPANY PLC**

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# THE CAPITAL PUB COMPANY PLC

## Directors, Secretary and advisers

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### Directors

J Bruxner CBE	(Chairman)
C Watson ACA	(Chief Executive)
N Collins ACA	(Finance Director)
A Derrick	(Operations Director)
D Bruce	(Non-executive)
R Prickett FCA	(Non-executive)

### Secretary and registered office

J Dudgeon  
28 South Molton Street  
London  
W1K 5RF

### Company number

4119367

### Auditors

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

### Valuers

AG&G Chartered Surveyors  
8 Exchange Court  
London WC2R 0JH

### Stockbroker & Nominated Adviser

Pannure Gordon & Co  
Moorgate Hall  
155 Moorgate  
London EC2M 6XB

### Bankers

Allied Irish Bank (GB)  
201-203 The Broadway  
Wimbledon SW19 1FF

### Solicitors

HBJ Gateley Wareing  
Exchange Tower  
19 Canning Street  
Edinburgh EH3 8EH

# **THE CAPITAL PUB COMPANY PLC**

## **Directors, Secretary and advisers**

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### **Financial Public Relations**

College Hill  
The Registry  
Royal Mint Court  
London EC3N 4QN

### **Registrars**

Share Registrars Ltd  
Suite E, 1<sup>st</sup> Floor  
9 Lion & Lamb Yard  
West Street  
Farnham  
Surrey GU9 7LL

# THE CAPITAL PUB COMPANY PLC

## Chairman's statement

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I am pleased to report yet another year of exceptional profit growth together with continued expansion of the trading estate. Our portfolio has now grown to 34 predominantly freehold pubs. The high quality of the estate has been a major factor in driving the continued improved performance.

The Group continues to benefit from its focussed strategy to operate pubs solely in the London area. The London economy remains buoyant and this has helped the Group to improve its trading performance. In addition the Group continues to improve its revenue by identifying under-performing pubs, refurbishing them and so gaining a significant uplift in performance. Both established and newly-acquired pubs have performed well. These factors together with the Group's tight cost control means that it enjoys one of the highest operating margins in the industry.

## Financial Results

The Board is delighted with the performance of the Group over the last 12 months.

- Revenue increased 24% to £27.2m (2010: £22.0m)
- Adjusted EBITDA increased 18% to £6.8m (2010: £5.8m)
- Adjusted pre-tax profits increased 48% to £4.1m (2010: £2.7m)
- Adjusted diluted earnings per share increased 25% to 12.6p (2010: 10.1p)
- Cash generated from operations increased 17% to £6.8m (2010: £5.8m)

A reconciliation of "adjusted" items to earnings after taxation is provided in note 12.

## Dividends

With excellent trading, strong cash generation and much reduced net debt the Directors believe that it is the right time to resume dividends payments for shareholders.

The Board is recommending a cash dividend payment of 2.25p (2010: 0p) per share with a scrip alternative which will be payable, subject to shareholder approval, after the Group's AGM on 17th August 2011. It is also the intention to recommend the resumption of an interim dividend payable in November after the interim results are announced and to pursue a progressive dividend policy.

## Management structure

On 17 March 2011 Alex Derrick was appointed Operations Director strengthening the executive management team. He has assumed some of the day to day responsibilities previously undertaken by Clive Watson, the Group's Chief Executive, allowing Clive to focus more of his time on acquisitions and on driving the future expansion of the business.

We continue to build the infrastructure for future growth and expansion of the estate. During the year the Group recruited a Training Manager, seconded an Online Editor and social media specialist and retained the services of an in-house Property Consultant to advise on refurbishments, smaller developments and the ongoing maintenance of the estate. With this strong management team the Group is well-positioned to grow the estate further whilst maximising sales and profitability.

# THE CAPITAL PUB COMPANY PLC

## Chairman's statement

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### Operations

The Group has continued its successful strategy of focusing predominantly on wet-led pubs. High margin wet-led business accounts for 75% of total sales. At the same time we are improving the food offer across the estate. We continue to achieve sector-leading operating margins reflecting the liquor-led nature of the estate, our purchasing and managed house controls.

The Group also maintains high margins by being able to increase sales at unit level without resorting to discounting. The strategy of owning high quality units with a strong local offer has enabled the Group to increase its like-for-like EBITDA at unit level by 9.7% over the last year.

Through its strong local offering and tailoring each pub to its local community the Group benefits from having a loyal customer base at each of its pubs. We are able to attract and retain a highly professional group of pub managers by offering performance related bonus packages and also by encouraging them to join the Group's Share Incentive Plan. Over 50 key employees now have shares and/or share options in the business they work in and we intend to grow this number believing that a competitive advantage is gained through employees owning a stake in the business. The Group offers managers a high level of day to day autonomy in the running of the pubs and this helps to build an entrepreneurial culture amongst them.

The employees are the backbone of the Group and the Directors would like to thank them for all their hard work and contribution in achieving these results.

### Acquisitions, developments & disposals

#### Acquisitions & Refurbishments

In addition to increasing sales through organic growth the Group has opened these pubs following complete refurbishments.

*The Victoria (formerly the Wishing Well, freehold acquired in November 2009) was re-opened in June 2010 after an extensive refurbishment and trading has increased fivefold since acquisition.*

*The Actress (formerly the Uplands, lease acquired in January 2010 with an option to acquire the freehold) re-opened in September 2010 following a full refurbishment including the introduction of a pizza offer and trade here has been very strong since the re-opening.*

*New Cross House (formerly Goldsmiths, lease acquired in February 2011 with an option to acquire the freehold) opened in May 2011 following a complete refurbishment. The first five weeks trading have been particularly encouraging.*

*The Mansion (West Dulwich, SE27 – freehold acquired in March 2011) this will reopen September 2011 after extensive refurbishment works.*

These acquisitions highlight the Group's unique ability to buy under-performing pubs at discounted prices and turn these around achieving returns on capital often in excess of 20%.

As well as turnaround acquisitions the Group continues to add bolt-on acquisitions to the estate, where house profits are increased through better purchasing, controls and our entrepreneurial management culture. Since the start of the last financial year the Group acquired the following pubs.

*The Black Swan in Cobham, Surrey - August 2010. Freehold. Sales are currently in excess of 15% ahead of last year.*

# THE CAPITAL PUB COMPANY PLC

## Chairman's statement

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*The Morgan Arms in Bow, E3 - August 2010 Freehold Sales are currently in excess of 10% ahead of last year*

*The Rye in Peckham Rye, SE15 - April 2011 Freehold The Group intends to increase the trading area of this site and it hopes to have this completed by November 2011*

In June the Group has also exchanged contracts on a further site

*The Priory in Clerkenwell, EC1V 4JL for £160k The Priory is a free of tie leasehold pub and the Group intends to also reposition this pub by improving the offer This acquisition will complete next month*

## Minor refurbishments

During the year under review the Group continued to refurbish a number of its pubs focusing on increasing their trading areas These small refurbishments have helped improve the performance of the Group

## Disposals

In May 2010 the freehold of The Marquis of Granby was disposed of for £3.49m and the Group continues to retain the leasehold interest The Group will surrender its lease in July on The Hog in the Pound, W1 and as a result will receive in excess of £1m in compensation

## Balance sheet and funding

The Group has continued to expand the business and at the same time reduce its gearing At the year end the Group's borrowings were approximately £21m and gearing around 50% The net debt to EBITDA ratio has fallen to approximately three times and consequently the Group now considers itself conservatively financed

The Group has favourable bank facilities which extend until 2017 and has modest annual capital repayments of around £1.2m pa This allows free cash flow of the business to be invested in new acquisitions We have agreed in principle with our bankers to increase borrowings by a further £5m When suitable acquisitions are identified the Group will draw down these extended facilities

With strong cash flow and increased banking facilities the Group is in a good position to finance its future acquisition growth

## Shareholders meeting

The AGM will be held at The George on the Strand at 10.30am on the 17th August 2011 The Directors look forward to updating shareholders on the Group's further progress on that date

## Shareholder information

Shareholders who wish to keep up to date with news about the Group should visit our website [www.capitalpubcompany.com](http://www.capitalpubcompany.com) which includes details of our portfolio of pubs and corporate information

## Current Trading and Future Strategy

The Group has built a high quality estate of 34 pubs over the last ten years and has a stated aim of increasing this to 45/50 pubs over the next two years We have a very active pipeline of potential acquisitions Whilst we have a short term objective of 45/50 pubs the Group has the management capability and expertise to build a considerably larger estate

## THE CAPITAL PUB COMPANY PLC

### Chairman's statement

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Current trading remains very strong and in the first ten weeks sales are up 31% which includes 11% like for like growth in the existing estate and 20% growth in respect of acquisitions and refurbishments. The Group is well financed, has a strong management team and a focused retailing strategy which will enable it to deliver further growth for its shareholders. We believe London will remain a buoyant market in which to trade and will benefit even further from the influx of both local and international visitors for the London Olympics in 2012. We are well positioned to take advantage of this future opportunity and the Board remains very optimistic about the prospects for the Group.

### Rejection of indicative, conditional offer from Fuller, Smith & Turner plc ("Fuller's")

In March of this year the Board received a conditional indicative offer proposal of 175p per share from Fuller's and very quickly the following month an improved offer proposal of 200p per share for the Group. The Board and its advisers carefully considered the two indicative offer proposals and rejected them unanimously as they substantially undervalued the Group and its growth prospects.

Further to the announcement on 17 June 2011, the Board sets out the following observations in connection with Fuller's indicative offer proposals.

### The Capital Board are major shareholders in the Group

- The Directors and senior management hold 13.1% of the Company's issued share capital. They believe Fuller's offer proposal substantially undervalues the business and its future prospects.
- As Directors and recognising their responsibility to all shareholders, Fuller's offer proposal of 200p was considered carefully by the full Board, taking advice from PricewaterhouseCoopers ("PwC"), and rejected unanimously.

### The Group's portfolio of London pubs represents a scarce and valuable asset

- The Group represents the last remaining independent freehold London-based pub company following the sales of Geronimo Inns and Realpubs. Capital Pub Company is therefore a scarce and valuable asset.
- London continues to lead the way as the strongest performing region, boosted by favourable social and economic trends, resulting in London pub companies attracting a premium valuation to their national counterparts.
- London is expected to get a further lift next year with the Olympics starting in the Summer of 2012 with visitor numbers expected to increase significantly.

### Recent comparable transactions

- Fuller's indicative offer proposal of 200p per share values the Group at 8.9x FY11 house EBITDA (See note A below).
- Young & Co Brewery PLC ("Young's") reportedly paid 9.8x historic house EBITDA for Geronimo Inns Ltd and Greene King PLC ("Greene King") reportedly paid 8.4x next year's house EBITDA for Realpubs Ltd (Source: Young's acquisition announcement, 16 December 2010 & Greene King acquisition announcement, 27 April 2011).
- The Board believes that the Group should demand a substantial premium over these two recent deals as the Group's estate contains a larger proportion of freehold assets (85%) than the Geronimo estate (38% freehold) and more than twice the number of freehold assets than the entire Realpubs estate (14 sites) (Source: Young's acquisition announcement, 16 December 2010 & Greene King acquisition announcement, 27 April 2011).



# **THE CAPITAL PUB COMPANY PLC**

## **Chairman's statement**

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- There is also the potential for strong EBITDA growth from recent acquisitions to the Group's portfolio

### **The Group is trading strongly into FY12 and resuming dividends**

- Current trading remains very strong with sales up 31% in the first ten weeks of FY12
- The Group has announced the resumption of dividend payments to shareholders which will be paid in August soon after the AGM

### **The Group continues to acquire quality London pubs**

- The Group's highly experienced and entrepreneurial management team continues to acquire and transform quality underperforming pub assets without, the Board believes, having to over pay, generating value for shareholders
- Since the start of the financial year the Group has acquired a further three pubs
- Management are confident that the plan to grow to 45-50 London pubs over the next two years will further enhance shareholder value

### **Financing**

- A new £5m debt facility has been agreed in principle on favourable terms with our bankers to fund further acquisitions
- The Group generates strong cash flow from operations, £4m of operating cash flow in the year to 26<sup>th</sup> March 2011
- The Directors believe that CPC will be able to fund further selective acquisitions from internally generated cash flow and our new banking facilities whilst maintaining a conservative level of gearing

### **Strategic Value**

- Fuller's are reported to have stated that they had up to £150m to spend on acquisitions (source Times, 13 June 2011)
- Fuller's major London competitors, Young's and Greene King, have both made significant strategic acquisitions in the capital Fuller's have failed to acquire any significant assets in the last calendar year
- Fuller's rapidly increased their indicative offer to 200p following the Board's unanimous decision to reject their first indicative offer of 175p
- As Fuller's are themselves a London pub operator and brewer, the Board believes they would be able to extract significant synergies from beer supply and cost savings The Board believes these synergy benefits are not reflected in the 200p indicative offer proposal

# THE CAPITAL PUB COMPANY PLC

## Chairman's statement

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### No market testing

- The Board have not approached any other potential buyers

The Board advises that shareholders should take no action in relation to Fuller's indicative offer proposals



J Bruxner CBE

Chairman

### Notes

A) The statement that Fuller's indicative offer proposal of 200p represents a multiple of 8.9x House EBITDA is calculated as follows

i) An Enterprise Value for the Group of £79.93m calculated as follows

Indicative offer price of 200p per share multiplied by the Group's fully diluted share capital of 32.33m ordinary shares (being issued share capital of 26.97m plus outstanding options of 5.36m), less proceeds of £5.89m receivable by the Group on exercise of options, add net debt as at 26 March 2011 of £21.2m.

ii) House EBITDA of £8.95m for the y/e 26/03/2011 calculated as follows

Adjusted EBITDA of £6.83m (calculated as earnings before exceptional items, share options charge, interest, tax and depreciation of £6.41m, plus exceptional operating charge of £388k (shown in note 4 of the preliminary results announcement), plus share of profit of associate of £28k (shown in the consolidated income statement)), plus head office costs of £2.12m (shown in Note 2 of the preliminary results announcement)

Enterprise Value of £79.93m divided by House EBITDA of £8.95m produces a multiple of 8.9x

The Directors present their report together with the audited financial statements for the year ended 26 March 2011

## **PRINCIPAL ACTIVITY**

The principal activity of the Group is the management and operation of public houses

## **BUSINESS REVIEW & FUTURE DEVELOPMENTS**

The purpose of the business review is to show how the Group assesses and manages risk, and adopts appropriate policies and targets. Further details of the Group's business and future developments are also set out in the Chairman's statement on pages 3-8

The following are some of the key risks that face the Group

### *Dependence on key executives and personnel*

The Group's future success is substantially dependent on the continuing services and performance of the highly skilled pub managers and its ability to continue to attract and retain them. The Directors believe the Group's culture and remuneration packages are attractive, which should assist key staff retention. The Directors are indemnified against public liability claims through Directors and Officers insurance.

### *Risks relating to growth strategy*

The continuing growth of the Group is largely dependent on its ability to identify and acquire free-of-tie, managed pubs in Greater London. If the Group is unable to find suitable acquisition targets at an acceptable price, this may have an adverse effect on the Group's future success. However, the Directors believe that the size of the market and the number of pubs in this area will mean that the Group will continue to be able to grow.

### *Licences, permits and approvals*

The pub industry in the UK is highly regulated at both national and local levels and pub operators require licences, permits and approvals. Delays and failures to obtain the required licences or permits could adversely affect the operations of the Group. These laws and regulations impose a significant administrative burden on each pub and additional or more stringent requirements could be imposed in the future. Each of the Group's pubs is licensed to permit, amongst other things, the sale of liquor. Should any of the Group's pub licences be withdrawn or amended, the profitability of any such pub could be adversely impacted. The Group has processes in place to ensure all necessary licences are obtained on a timely basis, and to monitor compliance with all relevant laws and regulations.

### *Market*

Whilst the economic situation has improved over the year, it remains possible that current recessionary pressures and other economic factors (such as reduced access to debt and tax increases) may decrease the disposable income that customers have available to spend on drinking and eating out. This could lead to a reduction in the revenues of the Group's pubs. However, the Directors believe that the location of the Group's pubs, which are generally in prosperous areas of London, means that the Group is well placed to cope with such recessionary pressures.

## **KEY PERFORMANCE INDICATORS**

The legislation requires the Board to disclose Key Performance Indicators (KPIs) relevant to the Group. The following are discussed in more detail in the Chairman's statement:

- Earnings per share (EPS)
- Gearing ratio
- Adjusted EBITDA

## **RESULTS AND DIVIDENDS**

The consolidated income statement is set out on page 20 and shows the profit for the year (2010: loss).

The Directors recommend the payment of a final cash dividend of 2.25p per share with a scrip alternative, totalling £606,779 (2010: £nil).

## **SUBSTANTIAL SHAREHOLDINGS**

As at 20 June 2011, the Group had been notified of, or was aware of, the following interests of three percent or more in its issued share capital:

<i>Name of shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i> %
MREF II Investments Limited	3,066,865	11.4%
Clive Watson	2,038,627	7.6%
Richard Keeling	1,526,550	5.7%
Hargreave Hale	1,137,000	4.2%
Hermes Focus Asset Management	1,120,873	4.2%
Brewin Dolphin	998,406	3.7%
Blackrock Investment Management	953,997	3.5%
TD Waterhouse Investment Services	934,267	3.5%

## **INTEREST IN OWN SHARES**

The Group has an interest in its own shares as a result of the cost of the shares issued to the Group's Employee's Benefit Trust to satisfy awards made pursuant to the Joint Share Ownership Plan ("the JSOP"). During the year the maximum number of shares held was 700,000 with a nominal value of £350,000 and cost of £422,000. These shares represent 2.6% of the total issued share capital and the charge relating to the shares is shown in the Consolidated Statement of Changes in Equity.

## **POLITICAL AND CHARITABLE DONATIONS**

The Group made no political or charitable donations during the year (2010: £nil).

**THE CAPITAL PUB COMPANY PLC**

Company no. 4119367

Report of the Directors for the year ended 26 March 2011

**EMPLOYMENT POLICY**

The Group's policies respect the individual regardless of gender, age, race or religion. Where reasonable and practical under the existing legislation, all persons, including disabled persons, have been treated fairly and consistently, including matters relating to employment, training and career development.

The Group takes a positive view of employee communication and has established systems for employee consultation and communication of developments. The Group operates employee share schemes as a means of further encouraging the involvement of employees in the Group's performance.

**PAYMENT POLICY**

The Group follows standard payment practices for all of its suppliers agreed with them on an individual basis of which all suppliers are aware. The ratio of amounts owed to trade creditors at the year end to total purchases invoiced by suppliers during the year was 36 days (2010: 33).

**DIRECTORS**

The Directors of the Group during the year and their beneficial interests, including those of any persons connected to them, in the ordinary share capital of the parent company were as follows:

Ordinary shares of 50p each:	26 March 2011	27 March 2010
J Bruxner	47,050	47,050
D Bruce	170,924	170,924
N Collins	262,738	250,000
A Derrick	27,738	-
R Prickett	95,787	95,787
C Watson	2,038,627	2,010,889

*Share options*

At 26 March 2011, the Directors were also interested in unissued ordinary shares granted to them by the Group under share options held by them pursuant to individual option agreements:

	Date of grant	Exercise price (pence)	Number	Date from which exercisable	Expiry date
J Bruxner	01/02/2001	115	91,518	01/02/2004	31/01/2014
J Bruxner	29/04/2009	57.5	90,909	29/04/2012	28/04/2019
J Bruxner	16/03/2011	126.5	50,000	16/03/2014	15/03/2021
N Collins	20/04/2009	50	60,000	20/04/2012	19/04/2019
A Derrick	20/04/2009	50	60,000	20/04/2012	19/04/2019
R Prickett	29/04/2009	57.5	100,000	29/04/2012	28/04/2019
R Prickett	16/03/2011	126.5	50,000	16/03/2014	15/03/2021

No options were exercised during the year (2010: nil)

**THE CAPITAL PUB COMPANY PLC**  
**Company no. 4119367**  
**Report of the Directors for the year ended 26 March 2011**

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*Management Incentive Plan*

During the year a new Management Incentive Plan (“the Plan”) was implemented. The purpose of the Plan was to replace the 2003 Employee Benefit Trust and to provide a means of incentivising and rewarding senior management going forward.

Under the terms of the Plan management subscribe for Plan Shares. In relation to the Plan Shares awarded as replacement for previously awarded options, the value is limited to the value previously awarded. The terms of the underlying options in which Directors have an interest are included in the table below. Disposal of the Plan Shares would be effected via a transaction which would result in the member of the Plan receiving shares in the Company.

	<b>Date of grant of previously awarded option</b>	<b>Date of grant</b>	<b>Exercise price (pence)</b>	<b>Number</b>	<b>Date from which exercisable</b>	<b>Expiry date</b>
D Bruce	23/09/2004	16/03/2011	115	1,511,335	16/03/2011	22/09/2014
D Bruce	24/05/2007	16/03/2011	150	219,934	16/03/2011	23/05/2017
N Collins	NA	16/03/2011	126.5	100,000	16/03/2012	15/03/2017
A Derrick	09/09/2009	16/03/2011	62	25,000	09/09/2012	08/09/2019
A Derrick	06/12/2010	16/03/2011	111	75,000	06/12/2013	05/12/2020
C Watson	23/09/2004	16/03/2011	115	1,481,269	16/03/2011	22/09/2014
C Watson	NA	16/03/2011	126.5	100,000	16/03/2012	15/03/2017

*Joint Share Ownership Plan*

The Group introduced the Joint Share Ownership Plan (the “JSOP”) for Directors and key personnel in the prior year. Under the terms of the JSOP Directors are entitled to acquire an interest in newly issued shares. This interest is held by the Director if certain performance criteria measured by reference to growth in earnings per share of the Group over three financial year-ends are achieved and the Director must remain an employee or office holder of the Group. Provided the performance criteria condition is satisfied, the interest held by the Directors will provide them with any growth in the Company share price in respect of those shares above a hurdle price. For more information see note 25.

Pursuant to the JSOP Directors acquired interests in ordinary shares as follows:

<b>Director</b>	<b>Date of grant</b>	<b>Hurdle price</b>	<b>No. of Ordinary Shares</b>
N Collins	29/04/2009	60p	150,000
C Watson	29/04/2009	60p	150,000
N Collins	18/12/2009	70p	100,000
A Derrick	18/12/2009	70p	25,000
C Watson	18/12/2009	70p	125,000

## **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group uses various financial instruments, including loans, cash, equity investments and various other items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are liquidity risk and interest rate risk. In order to manage the Group's exposure to these risks, in particular interest rate risk, the Group enters into derivative transactions including, but not limited to, variable to fixed interest rate swaps. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken. The Directors review and agree policies for managing each of these risks and they are summarised in note 20. These policies have remained unchanged from previous years.

Risks in relation to price and credit risk are not considered to have an impact on the Group financial position due to the majority of the customers paying by cash or credit card and the costs of goods being predictable.

## **CORPORATE GOVERNANCE**

The Directors recognise the value of the Combined Code on Corporate Governance that was issued in 2008 by the Financial Reporting Council and whilst under AIM rules full compliance is not required, the Directors believe that the Company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

## **BOARD OF DIRECTORS**

Details of the Directors, their roles and their backgrounds are as follows:

### *James Bruxner, CBE, Non-Executive Chairman*

James has previously worked as a marketing manager at Guinness, as Managing Director of Gilbeys Limited and as Chairman of Justerini & Brooks Limited. He was Chairman of the North British Distillery Limited and the Scotch Whisky Association and founding Chairman of The Keepers of the Quaich. James was appointed as Chairman of the Group on 1 February 2001.

### *Clive Watson, ACA, Chief Executive*

Clive qualified as a Chartered Accountant with Price Waterhouse in London in 1986 then joined the investment bank Manufacturers Hanover Limited where he spent three years. He joined Regent Inns plc as Finance Director and Company Secretary in 1990. Clive left Regent Inns plc in February 1998 and co-founded Tup Inns Limited, where he was responsible for financial and commercial matters as well as acquisitions, before becoming Chief Executive and Finance Director of Tom Hoskins plc, an AIM listed company. Clive was appointed as Finance Director of the Group on 21 December 2000 and became Chief Executive of the Group on 23 June 2008.

### *Nicholas Collins, ACA, Finance Director*

Nicholas qualified as a Chartered Accountant with Arthur Andersen in London in 2001 where he spent five years advising on mid-market corporate finance transactions. Nicholas went on to found the Fuzzy's Grub retail catering chain in Central London which he grew from a start up to eight outlets over five years. Nicholas was appointed Finance Director on 6 March 2009.

*Alex Derrick, Operations Director*

Alex has been with the Group since November 2005 and was appointed to the Board on 17 March 2011. Prior to joining The Capital Pub Company, Alex was Operations Manager of Jacob & Co Guinness Limited which operated five pubs in London.

*David Bruce, Non-Executive Director*

David has been involved in the brewing and leisure industry for over 44 years in a career that has covered both production and retailing. He founded Bruce's Brewery and the first Firkin pub in 1979, before developing a portfolio of Firkin branded pubs. The Firkin chain was sold in 1988, after which he joined Grosvenor Inns plc as an Executive Director in 1993, where he was responsible for developing and marketing The Slug and Lettuce brand. In September 1999, David formed a 50/50 joint venture company, Honey Pot Inns plc, with Brakspear's Brewery and he sold his interest to Brakspear's in November 2000. David was appointed as Chief Executive of the Group on 21 December 2000 and moved to a non-executive role on 23 June 2008.

*Richard Prickett, FCA, Non-Executive Director*

Richard is a Chartered Accountant and has many years of corporate finance experience. Richard is currently an Executive Director of Landore Resources Limited and a Non-Executive Director of Patagonia Gold plc, City Natural Resources High Yield Trust plc and Non-Executive Chairman of The Romania Property Fund Limited and Asian Growth Properties Limited. Richard was appointed as a Non-Executive Director of the Group on 1 February 2001.

The Group is managed by the Board of Directors. The function of the Chairman is to supervise the Board and to ensure that the Board has control of the business. The function of the Chief Executive is to manage the Group on the Board's behalf.

All Board members have access, at all times, to sufficient information about the business to enable them to fully discharge their duties.

The Board has established committees to fulfil specific functions.

The *Audit Committee* comprises Richard Prickett (as chairman), James Bruxner and David Bruce. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the annual and interim accounts and the accounting and internal control systems in use by the Group.

The *Remuneration Committee* comprises James Bruxner (as chairman), Richard Prickett and David Bruce. It is responsible for determining and agreeing with the Board the framework for the remuneration of the Executive Directors, the Company Secretary and such other members of the management as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

All Directors are required, in turn, to stand for re-election every three years.



## **DIRECTORS' EMOLUMENTS**

	<b>Year ended 26 March 2011</b>			<b>Year ended 27 March 2010</b>	
	<b>Salary/Fees</b>	<b>Bonus</b>	<b>Pension</b>	<b>Total</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
J Bruxner	50	-	-	50	50
C Watson	180	50	20	250	240
D Bruce	30	-	-	30	78
R Prickett	30	-	-	30	30
N Collins	105	25	-	130	108
A Derrick	2	-	-	2	-
	<b>397</b>	<b>75</b>	<b>20</b>	<b>492</b>	<b>506</b>

## **INTERNAL CONTROL**

The Board has overall responsibility for the Group's system of internal control and reviewing its effectiveness

Key elements of the system of internal control include

- clearly defined levels of responsibility and delegation throughout the Group, together with well structured reporting lines up to the Board,
- the preparation of comprehensive annual budgets for each pub and head office, approved by the Board,
- a review of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year,
- a process requiring Board authorisation for all major acquisitions and disposals, and
- regular reporting of legal and accounting developments to the Board

## **RELATIONS WITH SHAREHOLDERS**

The Group maintains effective contact with shareholders and welcomes communication from investors. Shareholders are encouraged to attend the Annual General Meeting, at which time there is an opportunity for discussion with members of the Board. Press releases together with other information about the Group are available on the Group's website at [www.capitalpubcompany.com](http://www.capitalpubcompany.com)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE GROUP FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors are required to prepare financial statements for each financial year, which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that year. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether IFRS accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements of the Company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

In so far as the Directors are aware

- there is no relevant audit information of which the Group and Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006

#### **POST BALANCE SHEET EVENT**

This is discussed in the Chairman's statement and in note 29 to the accounts

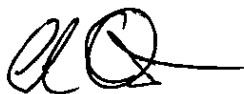
#### **GOING CONCERN**

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements

#### **AUDITOR**

Mazars LLP offer themselves for reappointment as auditor at the forthcoming annual general meeting in accordance with section 489 of the Companies Act 2006

**On behalf of the Board**



**C WATSON**  
Director

**21 June 2011**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC**

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We have audited the financial statements of The Capital Pub Company Plc for the year ended 26 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the financial statements**

In our opinion the financial statements

- the financial statements give a true and fair view of the state of the Group's affairs as at 26 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the group financial statements.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

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## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

## Other matter

We have reported separately on the parent company financial statements of The Capital Pub Company Plc for the year ended 26 March 2011



Samantha Russell (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House  
St Katharine's Way  
London E1W 1DD

21 June 2011

## Notes

(a) The maintenance and integrity of The Capital Pub Company Plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

# THE CAPITAL PUB COMPANY PLC

## Consolidated income statement for the year ended 26 March 2011

	Note	Year to 26 March 2011 Total £ 000	Year to 27 March 2010 Total £ 000
<b>Continuing operations</b>			
<b>Revenue</b>	5,7	27,200	22,005
Cost of sales		(7,422)	(5,917)
<b>Gross profit</b>	7	19,778	16,088
<b>Other operating income</b>	5	60	15
<b>Administrative expenses</b>		(14,544)	(11,900)
<b>Operating profit before exceptional items</b>	6,7	5,294	4,203
Operating profit before exceptional items		5,294	4,203
Share options charge		106	91
Depreciation		1,013	1,124
<b>Earnings before exceptional items, share options charge, interest, tax and depreciation</b>		6,413	5,418
Re-organisation costs		(98)	-
Loss on property disposal		(25)	(6)
Impairment of property, plant and equipment	14	-	(3,004)
Impairment of other non-current properties	15	-	(405)
Impairment of investment properties	16	-	(391)
<b>Operating profit after exceptional items</b>		5,171	397
Finance costs	11	(1,741)	(1,921)
Finance income		4	11
Share of profit of associate	17	28	4
<b>Profit/(loss) before taxation</b>		3,462	(1,509)
Taxation	10	(921)	197
<b>Profit/(loss) for the year attributable to equity shareholders</b>		2,541	(1,312)
<b>Earnings/(loss) per share</b>	Note	Pence	Pence
Basic	12	10.42	(6 44)
Diluted	12	10.12	(6 44)

The accompanying accounting policies and notes form an integral part of these financial statements

**THE CAPITAL PUB COMPANY PLC**

**Consolidated statement of comprehensive income for the year ended 26 March 2011**

	Note	Year to 26 March 2011 Total £ 000	Year to 27 March 2010 Total £ 000
<b>Profit/(loss) for the year</b>		<b>2,541</b>	<b>(1,312)</b>
<b>Other comprehensive income net of tax</b>			
Gains on revaluation of property and non current assets	14,15	-	668
Gains arising on cash flow hedge		323	871
Tax on disposal of revalued property	22	36	-
Tax on revaluation of property	22	122	493
Tax on cash flow hedge	22	(112)	(244)
Tax relating to components of other comprehensive income		46	249
Other comprehensive income for the year net of tax		369	1,788
Total comprehensive income for the year attributable to equity shareholders		2,910	476

The accompanying accounting policies and notes form an integral part of these financial statements

**THE CAPITAL PUB COMPANY PLC**

**Consolidated statement of financial position as at 26 March 2011**

	Note	26 March 2011 £ 000	27 March 2010 £ 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	110	110
Property, plant and equipment	14	66,950	63,842
Other non-current assets	15	1,985	1,950
Investment property	16	1,800	1,800
Investment in associated undertaking	17	302	266
Trade and other receivables	18	81	79
Deferred tax asset	22	832	863
		<hr/> 72,060	<hr/> 68,910
<b>Current assets</b>			
Inventories		383	302
Trade and other receivables	18	474	486
Cash and cash equivalents		4,841	2,299
		<hr/> 5,698	<hr/> 3,087
<b>Total assets</b>		<hr/> 77,758	<hr/> 71,997

The accompanying accounting policies and notes form an integral part of these financial statements



**THE CAPITAL PUB COMPANY PLC**

**Consolidated statement of financial position as at 26 March 2011**

	Note	26 March 2011 £ 000	27 March 2010 £ 000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank loans and overdrafts		1,205	1,337
Trade and other payables	19	2,451	2,228
Current tax payable		791	707
Accruals		1,420	891
Derivative financial instruments	20	694	658
		<u>6,561</u>	<u>5,821</u>
<b>Non-current liabilities</b>			
Bank loans		24,798	29,264
Deferred tax liabilities	22	3,129	2,938
Derivative financial instruments	20	2,520	2,879
		<u>30,447</u>	<u>35,081</u>
<b>Total liabilities</b>		<u>37,008</u>	<u>40,902</u>
<b>EQUITY</b>			
<b>Issued capital and reserves</b>			
Share capital	23	13,484	10,293
Share premium		14,106	10,647
Revaluation reserve		12,232	12,206
Cash flow hedge reserve		(1,580)	(1,791)
Investment in own shares		(422)	(422)
Retained earnings/(loss)		2,591	(71)
Share options reserve		339	233
<b>Total equity</b>		<u>40,750</u>	<u>31,095</u>
<b>Total equity and liabilities</b>		<u>77,758</u>	<u>71,997</u>

These financial statements were approved by the board and authorised for issue on 21 June 2011

C WATSON  
Director



The accompanying accounting policies and notes form an integral part of these financial statements

# THE CAPITAL PUB COMPANY PLC

## Consolidated statement of changes in equity for the year ended 26 March 2011

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Cash flow hedge reserve £ 000	Investment in own shares £ 000	Retained earnings £ 000	Share options reserve £ 000	Total equity £ 000
At 28 March 2009	9,953	10,588	11,045	(2,418)	-	1,240	142	30,550
Profit or loss for the year	-	-	-	-	-	(1,312)	-	(1,312)
Other comprehensive income for the year	-	-	1,161	627	-	-	-	1,788
<b>Total comprehensive income for the year</b>	-	-	1,161	627	-	(1,312)	-	476
Shares issued in the year	340	59	-	-	-	-	-	399
Dividends paid	-	-	-	-	-	1	-	1
Investment in own shares	-	-	-	-	(422)	-	-	(422)
Net cost of share-based payments	-	-	-	-	-	-	91	91
At 27 March 2010	10,293	10,647	12,206	(1,791)	(422)	(71)	233	31,095
Profit or loss for the year	-	-	-	-	-	2,541	-	2,541
Other comprehensive income for the year	-	-	158	211	-	-	-	369
<b>Total comprehensive income for the year</b>	-	-	158	211	-	2,541	-	2,910
Shares issued in the year	3,191	3,459	-	-	-	-	-	6,650
Dividends paid	-	-	-	-	-	(11)	-	(11)
Net cost of share-based payments	-	-	-	-	-	-	106	106
Release of revaluation	-	-	(132)	-	-	132	-	-
At 26 March 2011	13,484	14,106	12,232	(1,580)	(422)	2,591	339	40,750

The accompanying accounting policies and notes form an integral part of these financial statements

# THE CAPITAL PUB COMPANY PLC

## Consolidated cash flow statement for the year ended 26 March 2011

	52 Weeks to 26 March 2011 £ 000	52 Weeks to 27 March 2010 £ 000
<b>Cash flows from operating activities</b>		
Profit/(loss) after taxation	2,541	(1,312)
Adjustments for		
Depreciation	1,013	1,124
Share options charge	106	91
Share incentive plan	33	-
Finance income	(4)	(11)
Finance expense	1,741	1,921
Loss on property disposals	25	6
Impairment of properties	-	3,800
Taxation movement expense	921	(197)
Decrease/(increase) in inventories	(58)	27
Decrease/(increase) in debtors	47	(48)
Increase/(decrease) in creditors	499	404
Amortisation of bank arrangement fee	-	41
Share of profits of associate	(28)	(4)
Cash generated from operations	6,836	5,842
Interest paid	(1,820)	(1,984)
Income taxes paid	(961)	(158)
<b>Net cash generated by operating activities</b>	<b>4,055</b>	<b>3,700</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and other non-current assets	(2,211)	(2,014)
Purchase of intangible fixed assets	-	(110)
Proceeds from sale of property, plant and equipment	3,455	11
Interest received	4	11
Acquisition of business combinations, net of cash acquired	(4,777)	(361)
Acquisition of associate	(25)	(262)
<b>Net cash used in investing activities</b>	<b>(3,554)</b>	<b>(2,725)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	6,650	-
Repayment of long-term borrowings	(4,598)	(322)
Dividends paid	(11)	(1)
<b>Net cash generated by financing activities</b>	<b>2,041</b>	<b>(323)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,542</b>	<b>652</b>
<b>Cash at beginning of year</b>	<b>2,299</b>	<b>1,647</b>
<b>Cash at end of year</b>	<b>4,841</b>	<b>2,299</b>

The accompanying accounting policies and notes form an integral part of these financial statements

## 1 GENERAL INFORMATION

The Capital Pub Company plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out on page 9.

## 2 BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applied in accordance with the Companies Act 2006.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used into line with those utilised by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The financial statements have been prepared on a going concern basis; the Directors are confident the Group has adequate resources to continue in operational existence for the foreseeable future on the basis of current financial projections and resources.

These financial statements have been prepared on a historic cost basis, except for the revaluation of certain properties and derivative financial instruments that have been measured at fair value.

The accounting policies comply with IFRS that are mandatory for accounting periods ending on the balance sheet date. At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not early adopted any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows:

### **IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010**

The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 24 March 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**Revised IAS 24 (revised) 'Related party disclosures' – effective 1 January 2011**

The standard modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard. The adoption of this standard is not anticipated to have a material effect on the consolidated results of operations or financial position of the Group.

**IAS 12 (amendment) 'Income taxes – Recovery of underlying assets' - effective 1 January 2012**

The amendment states that the measurement of the associated deferred tax arising on investment properties that are measured using the fair value model under IAS 40 'Investment properties' should reflect the presumption that the carrying amount of the underlying asset will, normally, be recovered through sale rather than use.

The amendment is not expected to have any impact on the Group forthcoming financial statements.

**IFRIC 19 Extinguishing financial liabilities with equity instruments**

This is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). The interpretation is not expected to have any impact on the Group's forthcoming financial statements.

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**Improvements to IFRS (May 2010) which are effective from 1 January 2011.**

There have been various amendments made to existing standards and interpretations as a result of the May 2010 improvements to IFRSs, which provide clarifications to existing requirements. Amendments have been made to the following standards:

- *IFRS 3 Business Combinations* - transition requirements for contingent consideration, measurement of non-controlling interest, and un-replaced and voluntary replaced share-based payment awards

- *IFRS 7 Financial Instruments* - increased emphasis on the interaction between qualitative and quantitative disclosures

- *IAS 1 Presentation of Financial Statements* - clarification of the presentation of the statement of changes in equity

- *IAS 27 Consolidated and Separate Financial Statements* - transition requirements for amendments made as a result of IAS 27 (revised)

- *IAS 34 Interim Financial Reporting* - accounting for significant events and transactions

The amendments in respect of IFRS 3, IFRS 7 and IAS 1 are expected to impact on the disclosures within the financial statements of the Group.

**IFRS 7 (amendment) 'Financial instruments disclosures' – Enhancing disclosures about transfers of financial assets - effective 1 July 2011**

The amendments enhance existing required disclosures for transferred financial assets that are not derecognised, and required additional disclosure on an entity's continuing involvement in derecognised assets.

The amendment is not expected to have any impact on the Group's forthcoming financial statements.

**IFRS 10 'Consolidated Financial Statements' – effective on or after 1 January 2013**

This standard replaces the consolidation requirements in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation – Special Purpose Entities', building on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard uses a single definition of control which comprises of three elements that centre around power over the investee, exposure or rights to the variable returns from the investee and the ability to use the power to affect the returns.

The standard is not expected to have any impact on the Group's forthcoming financial statements.

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**IFRS 11 'Joint Arrangements'**

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case), and as a consequence classifies joint arrangements as either joint operations or joint ventures. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in joint ventures.

The standard is not expected to have any impact on the Group's forthcoming financial statements.

**IFRS 12 'Disclosure of Interests in Other Entities'**

This standard sets out new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard therefore not only requires additional disclosures to be made about entities that are included within the consolidated financial statements, for example relating to judgements and assumptions that have been made when deciding classifications of interests, but also requires disclosures to be made so users are able to understand interests in unconsolidated entities.

The adoption of this standard is expected to result only in additional disclosures in the Group's forthcoming financial statements.

**IFRS 13 'Fair Value Measurement'**

This standard sets out a comprehensive framework for defining and measuring fair value and also includes additional disclosure requirements about fair value measurements. The standard does not provide any new information regarding the measurement of fair value but brings together all the existing guidance currently in issue into this one standard.

The Group is yet to assess the full impact of IFRS 13, however initial indications are that it may not have a significant impact on the Group, with the exception of additional disclosures.

**IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'**

Following the issue of IFRS 10 and IFRS 11, consequential changes have been made to these standards. IAS 27 no longer deals with the accounting or disclosure requirements for consolidated financial statements and therefore includes the requirements for individual financial statements only. IAS 28 no longer deals with the classification of joint arrangements and includes only the accounting requirements for joint arrangements. Accordingly the standard requires the use of the equity method of accounting for all joint ventures and no longer permits the proportionate consolidation method to be used.

These standards are not expected to have any impact on the Group's forthcoming financial statements.

All other amendments and interpretations are not deemed to impact on the financial statements.

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**New and amended standards adopted by the Group**

The Group has adopted the following new and amended IFRSs as of 28 March 2011

**IFRS 3 (Revised 2008) Business combinations** (effective for combinations on or after 1 July 2009) The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payment classified as debt and subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net asset. All acquisition related costs are expensed.

**New and amended standards, and interpretations mandatory for the first time but not currently relevant to the Group**

**IFRS 2 (amendments), Share-based Payment** In addition to incorporating IFRIC 8, Scope of IFRS 2, and IFRIC 11, IFRS2 – Group and treasury share transactions, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

**IFRS 5 (amendment), Non-current Assets Held for Sale and Discontinued Operations** The amendment clarifies that IFRS5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

**IAS 36 (amendment), Impairment of Assets** The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IGRS 8, Operating Segments.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied

**Basis of consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 26 March 2011.

**Business Combinations**

Under the requirements of IFRS 3, Business Combinations, all business combinations are accounted for using the purchase method ("acquisition accounting"). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any costs directly attributable to the business combination.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.



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Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

On acquisition of a subsidiary, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at that date. Any excess of the cost of acquisition over the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition (ie discount on acquisition) is credited to the Consolidated Income Statement in the year of acquisition.

The results of subsidiaries acquired or disposed during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal. All intra group transactions, balances, income and expenses are eliminated on consolidation.

#### **Associates**

Associates are those enterprises in which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The Consolidated Income Statement reflects the investor's share of the results of operations of the investee. If the investor's share of losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil and recognition of further losses are discontinued, unless the investor has incurred obligations to the investee or to satisfy obligations of the investee that the investor has guaranteed or otherwise committed, whether funded or not. To the extent that the investor has incurred such obligations, the investor continues to recognise its share of losses of the investee.

#### **Goodwill**

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. The cash-generating unit to which goodwill has been allocated is tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

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**Property, plant and equipment**

Freehold buildings are held at their fair value and other property, plant and equipment are stated at cost, net of depreciation and any provision for impairment

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement

Property, plant and equipment are reviewed annually for indicators of impairment. Where any indicators are identified, assets are assessed individually for impairment. Impairment occurs where the recoverable amount of the asset is less than its carrying amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is treated as a revaluation decrease to the extent that a surplus exists for the same asset, and thereafter as an expense in the Consolidated Income Statement. With the current economic climate the Directors have closely monitored recent acquisitions in the industry and compared purchase values with book carrying values and earnings for each site.

*Depreciation*

Depreciation is provided to write off the cost or valuation of property, plant and equipment on a straight-line basis over its estimated useful life, taking account of expected residual values and using the following rates:

Fixtures, fittings and equipment - 12.5% straight-line

Computer equipment - 50% straight-line

The management's depreciation policy reflects the estimated useful economic life based on the historical investment and refurbishment programme in the estate.

Freehold buildings are depreciated to their estimated residual values. An annual assessment of residual values is performed and there is no depreciable amount if residual values are the same as, or more than, book value. Residual values are based on the estimated amount which would be currently obtainable from disposal of the asset, net of disposal costs, if the asset were already of the age and condition expected at the end of its useful life.

*Assets carried at valuation*

Freehold properties are carried at valuation. Revaluation is to fair value. Fair value is determined in appraisals by external professional valuers once every three years, unless market-based factors indicate a material change in value. Any revaluation surplus is credited to 'revaluation reserve' in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. Downward revaluations are recognised upon appraisal, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the Consolidated Income Statement.

*Repairs and Maintenance*

Repairs and maintenance expenditure is charged to the Consolidated Income Statement as incurred.

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**Other non-current assets**

Other non-current assets, representing the premium on the leasehold of seven pubs, are carried at valuation less accumulated depreciation. Revaluation is to fair value. Fair value is determined in appraisals by external professional valuers once every three years, unless market-based factors indicate a material change in value. Any revaluation surplus is credited to 'revaluation reserve' in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. Downward revaluations are recognised upon appraisal, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the Consolidated Income Statement. Depreciation is provided on a straight line basis over the length of the lease, which is determined according to the lease agreement.

These assets have been created by the Group entering into operating leases.

**Investment Property**

Investment properties are held at cost less accumulated depreciation and impairment. Depreciation is provided to write off the cost of investment property on a straight line basis over its useful life. Investment properties are depreciated over 50 years to their estimated residual value.

**Inventories**

Inventories are stated at the lower of cost and net realisable value and are finished goods. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion. There are no write-downs recognised in the year (2010: £nil). The cost of sales per the consolidated income statement represents the cost of inventories recognised as an expense.

**Financial assets**

Financial assets consist of cash and trade and other receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor, or advances money, with no intention of trading the loan or receivable. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Income Statement within administrative expenses. When a trade receivable is

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uncollectible, it is written off against the allowances account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Consolidated Income Statement.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument and are initially recognised at fair value plus transaction costs, and subsequently at amortised cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

#### **Financial liabilities**

The Group's financial liabilities include bank loans and overdrafts, trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the Consolidated Income Statement.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings comprise secured bank borrowings, and are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

#### **Derivative financial instruments**

The Group uses interest rate swaps to manage the exposure to changes in interest rates and these are classified as derivative financial instruments. Interest rate swaps are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. A policy of hedge accounting has been adopted and changes in fair value of the instruments are recognised in the cash flow hedge reserve as a component of equity on the balance sheet.

#### **Hedge accounting**

The Group designates certain derivative financial instruments as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the derivative financial instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore at the inception of the hedge and on an ongoing basis the Group documents whether the derivative financial instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values for cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the hedge ineffectiveness on the cash flow hedge line of the Consolidated Income Statement.

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**Dividends**

Dividend distributions payable to equity shareholders are included in 'Trade and other payables' when the dividends are approved in general meeting prior to the balance sheet date, but remain unpaid at the balance sheet date

**Equity**

Equity comprises the following

- share capital - represents the nominal value of equity shares,
- share premium - represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,
- cash flow hedge reserve - represents the cumulative portion of the changes in fair value of derivative financial instruments which are deemed effective,
- revaluation reserve - represents gains and losses due to the revaluation of freehold property,
- investment in own shares - shares issued to the Group's Employee Benefit Trust,
- profit and loss reserve - represents retained profits and losses, and
- share options reserve - represents equity-settled share-based employee remuneration until such share options are exercised, forfeited or lapsed

**Revenue**

Revenue represents sales to customers in the public houses and management fees from third parties less value added tax. Revenue from sales to customers is recognised once the sale has occurred.

**Income from investment properties**

Income from investment properties represents the rental income under the 15 year lease of The Peer, recognised on a straight line basis over the term of the lease.

**Share-based payment**

All share-based payment arrangements granted after 7 November 2002 but which had not vested prior to the date of the transition are recognised in the financial statements.

All services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the Consolidated Income Statement with a corresponding credit to 'Share option reserve'. The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

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**Leased assets**

Operating lease rentals are charged to the Consolidated Income Statement on a straight-line basis over the term of the lease. There are no finance leases.

**Borrowing costs**

Borrowing costs are capitalised when a public house is closed for a significant refurbishment. Borrowing costs are capitalised on the value of the property in question at the Group's cost of borrowing. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Taxation**

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

**Use of accounting estimates and judgements**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect certain of the reported figures. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, however, actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

- a) Properties are revalued once every three years and the Directors are required to make assessments of whether the fair value of the properties in the intervening years are not materially different from current market values.
- b) Depreciation rates are based on estimates of the useful economic lives and assets involved are depreciated to their residual values, as detailed in notes 14, 15 and 16.
- c) The Group operates share incentive schemes as detailed in note 25. In order to calculate the annual charge in accordance with IFRS 2, management are required to make a

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number of assumptions The accounting policy in relation to share options is set out above

- d) The impairment review of goodwill is based on the budgeted performance of the relevant pub, which includes various assumptions with regard to trading performance, as detailed in note 13

#### 4 OPERATING SEGMENTS

The Group is principally engaged as owner and operator of pubs in central London The CODM has been identified as the Senior Executive Management (SEM) that exercises the day-to-day management function of the Group Operational and financial information, which is primarily at an individual unit level, is received by the CODM on a monthly basis The Group does not distinguish between geography or brand The unit information does not meet the quantitative thresholds as required by IFRS 8, as such management have judged it appropriate to aggregate the financial information relating to all units into a single reportable segment

Group revenues predominantly comprise sale of alcoholic and non-alcoholic beverages and food All non-current assets are located within Greater London in the United Kingdom All revenue is earned from sales to external customers and no major customers contribute to more than 10% of sales

#### 5 REVENUE

Revenue relates to the Group's principal activity and arises solely in the United Kingdom An analysis of revenue is as follows

	2011 £ 000	2010 £ 000
<b>Continuing operations:</b>		
Sales of goods	27,200	22,005
<b>Other operating income:</b>		
Investment property rental income	60	15
	<u>27,260</u>	<u>22,020</u>

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

### 6 OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

	2011 £ 000	2010 £ 000
This is arrived at after charging		
Depreciation	1,013	1,124
Fees payable to the Group's auditor for the audit of the Group's annual accounts	26	27
Fees payable to the Group's auditor and its associates for tax services	6	14
Fees payable to the Group's auditor for the audit of subsidiaries financial statements	6	-
Other operating leases	51	40
Equity-settled share-based payments	106	91

### 7 ANALYSIS OF OPERATIONS

	Ongoing 2011 £ 000	Acquired 2011 £ 000	Total 2011 £ 000	Ongoing 2010 £ 000	Acquired 2010 £ 000	Total 2010 £ 000
Revenue	25,739	1,461	27,200	20,653	1,352	22,005
Cost of sales	(6,959)	(463)	(7,422)	(5,432)	(485)	(5,917)
Gross profit	18,780	998	19,778	15,221	867	16,088
Other operating income	60	-	60	15	-	15
Administrative expenses	(13,813)	(731)	(14,544)	(11,273)	(627)	(11,900)
Operating profit before exceptional items	5,027	267	5,294	3,963	240	4,203

Those sites defined as Ongoing were held for that entire year while those defined as Acquired were bought during that year, as detailed in note 24

Had the operations acquired been consolidated from 28 March 2010, the consolidated statements of income would show revenue of £28,179,000 and operating profit of £5,436,000

Included within administrative expenses of £14.5m are Group head office costs of £2.12m

### 8 EMPLOYEES

	2011 £ 000	2010 £ 000
Staff costs consist of		
Wages and salaries	7,540	6,068
Social security costs	539	416
Pension scheme	20	-
Share based payments	106	91
	8,205	6,575

The average number of employees of the Group during the year was 432 (2010 349). Of these, 418 were based in the pubs (2010 337) and 14 were in Head Office (2010 12).



**9 DIRECTORS' EMOLUMENTS**

	<b>2011</b>	<b>2010</b>
	<b>£ 000</b>	<b>£ 000</b>
Emoluments	472	458
Compensation for loss of office	-	48
Pension scheme	20	-
Share based payments	45	26
	<b>537</b>	<b>532</b>

Fees paid by the Group in respect of the highest paid Director amounted to £250,000 (2010 £240,000) One Director received benefit under a money purchase pension scheme (2010 £nil)

**10 TAXATION**

	<b>2011</b>	<b>2010</b>
	<b>£ 000</b>	<b>£ 000</b>
Current tax		
Taxation on profits on ordinary activities	1,025	707
Adjustments in respect of prior years	(38)	(29)
	<b>987</b>	<b>678</b>
Deferred tax		
Original and reversal of temporary differences	(79)	(12)
Changes in tax rates or laws	13	-
Impairment of properties	-	(863)
Total deferred tax	<b>(66)</b>	<b>(875)</b>
Income tax expense	<b>921</b>	<b>(197)</b>

The relationship between the expected tax expense based on the tax rate of 28% and the tax expense actually recognised in the income statement can be reconciled as follows

	<b>2011</b>	<b>2010</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit/(loss) before tax	<b>3,462</b>	<b>(1,509)</b>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 28%)	<b>969</b>	<b>(422)</b>
Effects of		
Expenses not deductible for tax purposes	2	31
Capital gains in excess of accounting profit	51	-
Unrecognised temporary difference	(34)	201
Movement relating to share options	-	25
Movement in deferred tax	-	(3)
Capital transactions	(29)	-
Adjustments to prior year (current tax)	(38)	(29)
Taxation on profits on ordinary activities	<b>921</b>	<b>(197)</b>

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

### 11 FINANCE COSTS

	2011 £ 000	2010 £ 000
Bank loans and overdraft	1,741	1,921

### 12 EARNINGS/(LOSS) PER SHARE

The table below reconciles reported earnings/(loss) to adjusted earnings which highlight the underlying performance of the business. The calculation of the basic and fully diluted earnings per share is based on this data

	2011 £ 000	2010 £ 000
<b>Earnings/(loss) after taxation for the purpose of basic and diluted earnings per share</b>	<b>2,541</b>	<b>(1,312)</b>
Re-organisation costs	98	-
Impairment of property, plant and equipment	-	3,004
Impairment of other non-current assets	-	405
Impairment of investment properties	-	391
Tax adjustments in respect of prior years	-	(29)
Deferred tax on property impairment	-	(863)
Loss on property disposals	25	6
Share options charge	106	91
Exceptional operating charges	388	361
<b>Adjusted earnings</b>	<b>3,158</b>	<b>2,054</b>
<b>Number of shares</b>		
Weighted average number of shares for basic earnings per share	24,388,930	20,361,183
Dilutive effect of share options in issue during the year	708,648	52,560
Weighted average number of shares for diluted earnings per share	25,097,578	20,413,743
<b>Earnings per share</b>	<b>Pence</b>	<b>Pence</b>
Basic earnings/(loss) per share	10.42	(6.44)
Fully diluted earnings/(loss) per share	10.12	(6.44)
Adjusted basic earnings per share	12.95	10.09
Adjusted fully diluted earnings per share	12.58	10.06

**13 GOODWILL**

	<b>£ 000</b>
<b>Cost</b>	
At 28 March 2009	-
Purchased goodwill	110
	<hr/>
At 27 March 2010	110
Purchased goodwill	-
	<hr/>
<b>At 26 March 2011</b>	<b>110</b>
	<hr/>
At 27 March 2010	110
	<hr/>
At 28 March 2009	-
	<hr/>

The goodwill has been tested for impairment through value in use calculations of the cash-generating unit ("CGU"). In assessing whether a write-down of goodwill is required to the carrying value of the related asset, the carrying value of the combined CGUs, is compared with its recoverable amount. The recoverable amount for each CGU, and collectively for the combined CGUs, has been measured based on value in use ("VIU").

The key assumptions used in calculating VIU relate to sales and EBITDA over two to five years, the discount rate and the growth rate used in calculating terminal values.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts specific to the London market. Growth in the London pub sector is predicted to remain constant as the capital benefits from tourism and constant employment levels. Changes in selling prices and direct costs are based on past practices, predicted future duty and tax rises and expectations of future changes in the market. It is anticipated that sales volumes will grow at a similar level to the current year over the next one to two years as the Group continues to pursue its strategy of improving service and standards.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of two per cent. This rate does not exceed the average long-term growth rate for the London pub sector. The rate used to discount the forecast cash flows is four per cent.

**14 PROPERTY, PLANT AND EQUIPMENT**

	<b>Freehold buildings £ 000</b>	<b>Fixtures, fittings and equipment £ 000</b>	<b>Computer equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>				
At 28 March 2009	62,460	7,751	312	70,523
Additions	75	999	17	1,091
Acquired in business combination	823	49	-	872
Disposals	-	(20)	-	(20)
Transfer to investment properties	(1,873)	(380)	-	(2,253)
Revaluation	132	-	-	132
At 27 March 2010	61,617	8,399	329	70,345
Additions	96	2,064	32	2,192
Acquired in business combination	5,197	136	-	5,333
Disposals	(3,360)	(200)	-	(3,560)
At 26 March 2011	<b>63,550</b>	<b>10,399</b>	<b>361</b>	<b>74,310</b>
<b>Depreciation</b>				
At 28 March 2009	-	2,284	227	2,511
Charge for the year	-	968	85	1,053
Disposals	-	(3)	-	(3)
Transfer to investment properties	-	(62)	-	(62)
Impairment	2,883	121	-	3,004
At 27 March 2010	2,883	3,308	312	6,503
Charge for the year	-	925	10	935
Disposals	-	(78)	-	(78)
At 26 March 2011	<b>2,883</b>	<b>4,155</b>	<b>322</b>	<b>7,360</b>
<b>Net book value:</b>				
At 26 March 2011	<b>60,667</b>	<b>6,244</b>	<b>39</b>	<b>66,950</b>
At 27 March 2010	58,734	5,091	17	63,842
At 28 March 2009	62,460	5,467	85	68,012

All land and buildings, except those acquired as part of a business combination in the prior year, were revalued by AG&G Chartered Surveyors on 27 March 2010. The properties were valued as operational entities, taking into account their trading potential. The Directors have considered the fair value of the freehold properties and are satisfied, given both the quality of the estate and the quality of trading, that carrying values are not materially different from the market value.

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

The revaluation was at fair value less cost to sell. As a result of the revaluation of the estate, which is considered as one cash generating unit, properties were revalued upwards totalling £0.1m and properties were impaired totalling £3.0m. The impairments reflect the decrease in profit multiples applied to pub profits for valuation purposes as a result of the general economic conditions. If freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	<b>Freehold buildings £ 000</b>
Net book amount at 26 March 2011	48,551
Net book amount at 27 March 2010	46,485

During the year the Group capitalised borrowing costs of £43,976 (2010: £40,524). These are capitalised at a rate of 7.04% on the value of the freehold property in question.

### 15 OTHER NON-CURRENT ASSETS

	<b>Total £ 000</b>
<b>Cost or valuation</b>	
At 28 March 2009	1,107
Additions	90
Acquired in business combination	777
Revaluation	536
At 27 March 2010	2,510
Additions	63
Acquired in business combination	50
At 26 March 2011	<b>2,623</b>
<b>Depreciation</b>	
At 28 March 2009	84
Charge for the year	71
Impairment	405
At 27 March 2010	560
Charge for the year	78
At 26 March 2011	<b>638</b>
<b>Net book value:</b>	
At 26 March 2011	<b>1,985</b>
At 27 March 2010	1,950
At 28 March 2009	1,023

## THE CAPITAL PUB COMPANY PLC

### Notes to the financial statements for the year ended 26 March 2011

Other non current assets represent the premiums on the leaseholds of seven pubs, which are being written off over the life of the leases. Carrying values are reviewed annually by management to ensure they reflect an accurate valuation of these pubs.

All other non-current assets, except one acquired as part of a business combination and one which was valued by the Directors, were revalued by AG&G Chartered Surveyors on 27 March 2010. The properties were valued as operational entities, taking into account their trading potential. The impairments reflect the decrease in profit multiples applied to pub profits for valuation purposes as a result of the general economic conditions.

#### 16 INVESTMENT PROPERTIES

	<b>Total £ 000</b>
<b>Cost</b>	
At 28 March 2009	-
Transfer from property, plant and equipment	2,253
At 27 March 2010 and at 26 March 2011	<u>2,253</u>
<b>Depreciation</b>	
At 28 March 2009	-
Transfer from property, plant and equipment	62
Impairment	391
At 27 March 2010	<u>453</u>
Depreciation	-
At 26 March 2011	<u>453</u>
<b>Net book value:</b>	
At 26 March 2011	<u><u>1,800</u></u>
At 27 March 2010	<u>1,800</u>
At 28 March 2009	<u>-</u>

Investment properties represent the value of the freehold pub The Peer which is let on a 15 year lease. Investment properties are held at cost less accumulated depreciation and impairment and an annual impairment review is carried out to ensure carrying value does not exceed the recoverable amount. The recoverable amount is calculated by reference to the London pub market, yields and the level of trade within the property. Recoverable amount is calculated by management. The fair value of the investment property is £1.8m.

The property rental income is included in note 5. There are no direct operating expenses associated with the investment property.

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

### 17 INVESTMENT IN ASSOCIATED UNDERTAKING

	<b>Total £ 000</b>
At 28 March 2009	-
Additions	262
Share of results	4
	<hr/>
At 27 March 2010	266
Additions	8
Share of results	28
At 26 March 2011	<hr/> <b>302</b> <hr/>

The following information is given in respect of the Group's associate

	<b>2011 £ 000</b>	<b>2010 £ 000</b>
Revenues	<b>906</b>	200
Profit for the year	<b>67</b>	12
Total assets	<b>2,237</b>	2,402
Total liabilities	<b>1,600</b>	1,686

The Group acquired a 40% interest in Ensco 600 Limited, a company incorporated in England and Wales, on 11 January 2010. The reporting date of Ensco 600 Limited is 31 December, revenue and profits shown and the total assets and liabilities are from unaudited figures to 31 March 2011. The principle activity of Ensco 600 Limited is the ownership and operation of the freehold pub The Havelock Tavern.

### 18 TRADE AND OTHER RECEIVABLES

	<b>2011 £ 000</b>	<b>2010 £ 000</b>
<b>Current:</b>		
Trade receivables	<b>75</b>	96
Prepayments and accrued income	<b>162</b>	134
Other debtors	<b>237</b>	256
	<hr/> <b>474</b> <hr/>	<hr/> <b>486</b> <hr/>
<b>Non current:</b>		
Other debtors	<b>81</b>	79
	<hr/> <b>81</b> <hr/>	<hr/> <b>79</b> <hr/>

Carrying values of trade and other receivables are considered to be approximate to their fair values.

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

### 19 TRADE AND OTHER PAYABLES

	2011 £ 000	2010 £ 000
Trade payables	1,567	1,126
Deferred consideration	-	346
Taxation and social security	884	756
	<u>2,451</u>	<u>2,228</u>

The carrying values of current liabilities are considered to be approximate to their fair values

### 20 FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities have been analysed into categories as below

	2011 £ 000	2010 £ 000
<b>Financial assets</b>		
Loans and receivables		
Current portion of other debtors (note 18)	312	352
Long-term portion of other debtors (note 18)	81	79
Cash & cash equivalents	<u>4,841</u>	<u>2,299</u>
	<u>5,234</u>	<u>2,730</u>
<b>Financial liabilities</b>		
Other financial liabilities measured at amortised cost		
Bank loans and overdrafts	1,205	1,337
Trade payables (note 19)	1,567	1,126
Deferred consideration (note 19)	-	346
Bank loans	<u>24,798</u>	<u>29,264</u>
Non-derivative financial liabilities	<u>27,570</u>	<u>32,073</u>
Derivatives used for hedging		
Fair values of cash flow hedges	<u>3,214</u>	<u>3,537</u>
	<u>30,784</u>	<u>35,610</u>
<b>Total net financial liabilities</b>	<u>25,550</u>	<u>32,880</u>

#### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably. The Group policy throughout the year has been to ensure continuity of funding by retaining profits, issuing equity shares and agreeing an appropriate loan facility with the bank. Short term flexibility is also achieved by use of overdraft facilities, when required.



# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

The Group prepares cashflow analysis and has determined that it can manage its liquidity risk in both the short and long term

### Maturity profile of financial liabilities

Non-derivative financial liabilities, contracted and undiscounted

At 26 March 2011	£ 000	£ 000	£ 000	£ 000
	Within one year	One to two years	Two to five years	After five years
Trade payables	1,567	-	-	-
Bank loans	2,195	2,246	6,799	20,241
	3,762	2,246	6,799	20,241

Derivative financial liabilities, contracted, undiscounted and settled on a net basis

At 26 March 2011	£ 000	£ 000	£ 000	£ 000
	Within one year	One to two years	Two to five years	After five years
Interest rate swap	738	724	1,444	411
	738	724	1,444	411

Non-derivative financial liabilities, contracted and undiscounted

At 27 March 2010	£ 000	£ 000	£ 000	£ 000
	Within one year	One to two years	Two to five years	After five years
Trade payables	1,472	-	-	-
Bank loans	2,506	2,541	7,747	25,118
	3,978	2,541	7,747	25,118

Derivative financial liabilities, contracted, undiscounted and settled on a net basis

At 27 March 2010	£ 000	£ 000	£ 000	£ 000
	Within one year	One to two years	Two to five years	After five years
Interest rate swap	685	668	1,605	723
	685	668	1,605	723

### Bank borrowings

The bank loan is secured by a fixed charge over all of the Group's properties and a debenture over the assets of the Group. The overdraft facility was cancelled at the Company's request during the year as it was no longer required. The loan is repayable in instalments between 2011 and 2017 with a final payment in 2017.

There have been no defaults or breaches in respect of the bank loans during the year.

### Derivative financial instruments

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the

## THE CAPITAL PUB COMPANY PLC

### Notes to the financial statements for the year ended 26 March 2011

contract All of the derivative financial instruments are in place to match cash payments made on the floating rate debt

The fair values of the interest rate swaps are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates None of the cash flow hedge was considered ineffective in the year (2010 none) Payments due under the terms of the interest rate swaps are made quarterly

#### Interest Rate Risk

The following financial assets and liabilities are subject to interest rate risk

	Interest rate	2011 £ 000	2010 £ 000
Cash and cash equivalents	Base rate -1%	(4,841)	(2,299)
Bank borrowings	Base rate +1 65%, Libor + 1 25%	26,195	30,788
<i>Derivative financial instruments</i>			
£15m swap expiring September 2016	6 70%	1,672	1,812
£5m swap expiring September 2017	7 04%	808	818
£8m swap expiring September 2013	6 45%	734	907
		<b>3,214</b>	<b>3,537</b>
<b>Total net interest bearing liabilities</b>		<b>24,568</b>	<b>32,026</b>

Bank borrowings are held at amortised cost, derivative financial instruments are held at fair value

#### Foreign exchange risk

The Group has no foreign investments nor any transactions in currencies other than in sterling and as such there are no foreign exchange risks

#### Credit risk

The Group believes as a highly cash-generative business there is little or no risk of credit impairment, consequently no financial assets are impaired and no trade assets are considered past due The maximum exposure to credit risk is £5,234,000 (2010 £2,730,000)

## 21 CAPITAL MANAGEMENT

The Group aims to manage its overall capital so as to ensure the Group continues to operate as a going concern and to maintain sufficient financial flexibility to undertake planned investments, whilst providing an adequate return to shareholders The Group also aims to optimise its capital structure in order to reduce the cost of capital and support the Group's operations The Group's capital structure represents the equity attributable to the shareholders of the Company together with borrowings and cash and cash equivalents

The Group's capital structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used The Group calculates its gearing ratio as borrowings, including

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

current and non-current borrowings, divided by total capital. During the year the Group maintained appropriate levels of gearing in line with those approved by the Board, being within a range of 50% & 91%. At the year end gearing was 52% (2010 91%).

### 22 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

Deferred Tax Liabilities	Accelerated tax depreciation £ 000	Revaluation of building £ 000	Total £ 000
As at 28 March 2009	879	3,626	4,505
Charge to income	30	-	30
Credit to other comprehensive income	-	(493)	(493)
<b>As at 27 March 2010</b>	<b>909</b>	<b>3,133</b>	<b>4,042</b>
Charge to income	(130)	-	(130)
Credit to other comprehensive income	-	(158)	(158)
Acquisition of subsidiary	44	290	334
<b>As at 26 March 2011</b>	<b>823</b>	<b>3,265</b>	<b>4,088</b>

Deferred Tax Assets	Revaluation of financial assets £ 000	Provisions £ 000	Impairment losses £ 000	Tax losses £ 000	Total £ 000
As at 28 March 2009	1,234	-	-	71	1,305
Credit to income	-	43	863	-	906
Credit to other comprehensive income	(244)	-	-	-	(244)
<b>As at 27 March 2010</b>	<b>990</b>	<b>43</b>	<b>863</b>	<b>71</b>	<b>1,967</b>
(Charge)/credit to income	(10)	48	(31)	(71)	(64)
Credit to other comprehensive income	(112)	-	-	-	(112)
<b>As at 26 March 2011</b>	<b>868</b>	<b>91</b>	<b>832</b>	<b>-</b>	<b>1,791</b>

£832,000 (2010 £863,000) of deferred tax asset has been recognised in respect of properties revalued downwards. Recognition of this asset is dependent on chargeable gains of an equivalent amount being available in the future to offset the capital losses carried forward. It is more probable than not this will be the case through the Group's purchasing and disposals of pubs in the medium term.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

	2011 £ 000	2010 £ 000
Deferred tax liabilities	(4,088)	(4,042)
Deferred tax assets	959	1,104
	<u>(3, 129)</u>	<u>(2,938)</u>
Deferred tax assets not available for offset	832	863
	<u>(2,297)</u>	<u>(2,075)</u>

## 23 SHARE CAPITAL

	2011 £ 000	2010 £ 000
Authorised Equity share capital 42,500,000 ordinary shares of 50p each	<u>21,250</u>	<u>21,250</u>

There are no rights, preferences or restrictions attached to any of the ordinary shares

	Number	£ 000
Allotted called up and fully paid Equity share capital		
As at 28 March 2009	19,905,908	9,953
Allotted in the year (Ordinary shares of 50p each)	700,000	350
Cancelled in year (Ordinary shares of 50p each)	(20,000)	(10)
As at 27 March 2010	<u>20,585,908</u>	<u>10,293</u>
Allotted in the year (Ordinary shares of 50p each)	6,382,041	3,191
As at 26 March 2011	<u>26,967,949</u>	<u>13,484</u>

6,382,041 ordinary shares were issued during the year. The nominal value of these shares was £3,191,021. 1,698,090 shares were issued on 7 May 2010 to MREF II Investments Limited at £1.00. 2,800,000 shares were issued on 8 July 2010 to various institutions at £1.03. 62,974 shares were issued on 22 September 2010 at £1.095 and 24,102 shares were issued on 29 November 2010 as part of the the Company's Share Incentive Plan. 1,796,875 shares were issued on 1 February 2011 at £1.28 to various institutions.

## 24 BUSINESS COMBINATIONS

During the year the Group made the following acquisitions

- On 12 August 2010, the Group acquired 100% of the issued share capital of Tomahawk Pubs Limited, which owned the Morgan Arms and Black Swan pubs, for a consideration of £5,034,000. All consideration was paid in cash. No intangible fixed assets were identified on acquisition.
- On 10 February 2011 the Group entered into a new lease of the Goldsmiths Tavern for a consideration of £50,000 in cash. No intangible assets were identified on acquisition.

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

Within administrative expenses in the Consolidated Income Statement are costs associated with the acquisitions of £151,000

The net assets of the business acquired during the year, as extracted from the acquiree's accounting records, and the fair value adjustments ascribed thereto, are set out below

<b><u>Tomahawk Pubs Limited</u></b>	<b>Book values £ 000</b>	<b>Fair value adjustments £ 000</b>	<b>Fair values acquired £ 000</b>
<b>Fixed Assets</b>			
<b>Property, Plant &amp; Equipment</b>			
Freehold buildings	5,246	(49)	5,197
Fixtures, fittings & equipment	136	-	136
	<u>5,382</u>		<u>5,333</u>
<b>Current Assets</b>			
Inventories	23	-	23
Trade receivables	34	-	34
Prepayments	3	-	3
Cash & cash equivalents	654	-	654
	<u>713</u>		<u>713</u>
<b>Current Liabilities</b>			
Bank loans & overdrafts			
Trade payables	(397)	-	(397)
Taxation & social security	(32)	-	(32)
Accruals	(249)	-	(249)
	<u>(678)</u>		<u>(678)</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	(334)	-	(334)
	<u>(334)</u>		<u>(334)</u>
<b>Total fair value of net assets acquired</b>	<u>5,084</u>	-	<u>5,034</u>
 Total consideration comprises			
Cash			<u>5,034</u>

The adjustment reflects the fair value of the property

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

<u>Goldsmiths Tavern</u>	Book values £ 000	Fair value adjustments £ 000	Fair values acquired £ 000
Fixtures & fittings	50	-	50
Total fair value of net assets acquired			50
Total consideration comprises			
Cash			50
			50

The acquisition of these business combinations has not resulted in any identified intangibles assets

## 25 SHARE BASED PAYMENTS

The Group operates share option schemes for Directors and key employees. These share option schemes vest three years from the date of grant and if not exercised expire between six and ten years from the date of vesting.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2011		2010	
	Number	WAEP (pence)	Number	WAEP (pence)
Outstanding at the beginning of the year	4,741,631	100	4,762,745	122
Granted during the year	692,648	117	1,367,575	54
Exercised during the year	-	-	-	-
Surrendered during the year	70,000	121	1,248,689	130
Lapsed during the year	-	-	140,000	122
Outstanding at the year end	5,364,279	101	4,741,631	100
Exercisable at the year end	3,324,056	118	3,374,056	118

During the year a new Management Incentive Plan ("the Plan") was implemented. The purpose of the Plan was to replace the 2003 Employee Benefit Trust and to provide a means of incentivising and rewarding senior management going forward.

Under the terms of the Plan management subscribe for Plan Shares. The value of the Plan Shares is limited to the value of underlying options. The underlying options are included in the table above. Disposal of the Plan Shares would be effected via a transaction which would result in the member of the Plan receiving shares in the Company.

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

Of the 4,741,631 options outstanding at the beginning of the year, 3,267,538 were modified and included in the Plan. Of the 692,648 options granted during the year, 325,000 were within the Plan.

For the purposes of IFRS 2, the introduction of the Plan was accounted for as a modification of the awards granted under the previous scheme. The modification did not result in any additional fair value, and so no incremental share-based payment charge has been recognised.

The fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

	2011	2010
Weighted average share price	117p	52p
Weighted average exercise price	117p	54p
Expected volatility	30%	30%
Expected life	6 years	6 years
Risk-free rate	4.0%	4.0%
Expected dividend yields	3.0%	3.0%

Expected volatility was determined by calculating the historical volatility of the Group's share price. The expected life used in the model is based on the management's best estimate, taking into account exercise restrictions and behavioural considerations.

The charge expensed in the year includes a charge in relation to the JSOP scheme as all performance conditions are considered to have been met.

The Group introduced The Joint Share Ownership Plan ("the JSOP") for Directors and key personnel in the prior financial period.

Under the terms of the JSOP new ordinary shares of 50 pence each are issued to the Company's Employee Benefits Trust (the "Trust"). The Trust acquires them under the terms of a co-ownership agreement with The Capital Pub Company Limited, a wholly owned subsidiary of the Trust. The Trust sells its interest in the shares to employees pursuant to a JSOP. Under the JSOP the interest in the shares acquired by the employee will be reacquired by the trustee if certain performance criteria measured by reference to growth in earnings per share of the Company over the next three financial year-ends are not achieved or the employee ceases to be an employee or officeholder of the Company or its subsidiaries. Provided that the performance condition is satisfied, the interest in the shares held by the employee will provide the employee with any growth in the Company share price in respect of these shares above a hurdle price.

Date granted	As at 27 March 2010	Granted in the year	As at 26 March 2011	Hurdle price	Exercise date from
29/04/2009	425,000	-	425,000	60p	29/04/2012
17/12/2009	275,000	-	275,000	70p	17/12/2012
<b>Total</b>	<b>700,000</b>	<b>-</b>	<b>700,000</b>		

## THE CAPITAL PUB COMPANY PLC

### Notes to the financial statements for the year ended 26 March 2011

In determining the fair value of awards under the JSOP the Black-Scholes model is used. The significant assumptions made were as follows:

	2011	2010
Weighted average share price	-	60p
Weighted average exercise price	-	64p
Expected volatility	-	30%
Expected life	-	6 years
Risk-free rate	-	4.0%
Expected dividend yields	-	3.0%

In 2011 the aggregate of the estimated fair values of the options granted is £208,000. In 2010 the aggregate of the estimated fair values of the options granted is £176,000.

In respect of the fair value calculated for the options the following amounts have been included in these financial statements:

	2011 £ 000	2010 £ 000
Included in equity	<u>(106)</u>	<u>(91)</u>
Share based payment charged to the Consolidated Income Statement	<u>106</u>	<u>91</u>

## 26 COMMITMENTS UNDER OPERATING LEASES

The Group has entered into commercial property leases on certain leasehold properties, consisting of public houses. These non-cancellable leases have various remaining non-cancellable lease terms of up to 34 years. All leases include a clause to enable upward revision of the rental charge, typically on a five yearly basis based on prevailing market conditions. As at 26 March 2011, the Group had commitments over the life of the lease at the current rental amount included below. The figure below also includes satellite contracts non-cancellable within one year.

	2011 £ 000	2010 £ 000
Operating leases which expire		
Within one year	1,063	1,000
Two to five years	1,985	3,348
Over five years	<u>6,592</u>	<u>5,576</u>



## 27 DIVIDENDS

	2011 £ 000	2010 £ 000
Dividends proposed (not recognised as liabilities)	<u>607</u>	-

The proposed final dividend for the year is 2 25p per share (2010 nil)

During the year dividends paid were £11,000. These amounts were in respect of dividends relating to prior periods.

## 28 RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

The Directors are considered the key management personnel. A summary of payments made to Directors can be found in the Directors Report.

£nil (2010 £228,000) was paid to Bar and Kitchen Limited, a company of which C Watson is a director and shareholder, in respect of fees for C Watson's services. There was no balance outstanding at the year end (2010 nil).

£nil (2010 £77,500) was paid to Brew Securities Limited, a company of which D Bruce is a director and shareholder, £nil (2010 £30,000) of which was for D Bruce's services and £nil (2010 £47,500) in lieu of notice for executive directorial duties. There was no balance outstanding at the year end (2010 nil).

£nil was paid to Ensco 600 Limited and the Group received £104,292 during the normal course of business. The Group owns a 40% interest in Ensco 600 Limited and provides management services to Ensco 600 Limited. At the year end £35,863 was outstanding.

£nil (2010 £30,000) was paid to European Sales Company Limited, a company of which R Prickett is a director, for the services of R Prickett as a director. There was no balance outstanding at the year end (2010 £nil).

£13,000 (2010 £5,000) was paid to Farm Traders Limited, a company of which N Collins is a shareholder, in respect of kitchen supplies. There was £2,000 outstanding at the year end (2010 £1,000).

**29 POST BALANCE SHEET EVENTS**

On 31 March 2011 the trade and assets of The Mansion pub in West Dulwich were acquired for £200,000. On the same date the entire issued share capital of LNL Estates Limited was acquired for £1,317,851. LNL Estates Limited owns the freehold of The Mansion Pub.

On 21 April 2011 the trade and assets of The Rye pub in Peckham were acquired for £125,000. On the same date the freehold of The Rye pub was acquired for £1,250,000.

On 17 June 2011 contracts were exchanged to acquire the trade and assets of the leasehold pub The Priory in Clerkenwell for £160,000.

On 5 July 2011 the lease of The Hog in the Pound will terminate. As per the agreement entered into between the landlord and the Group when the freehold of the property was sold by the landlord, the Group will receive a top up payment of £1,040,000 on termination of the lease.

At the time of the financial statements being authorised for issue the initial accounting for the above mentioned business combinations was incomplete as completion accounts had not yet been prepared. As such a full breakdown of the net assets acquired / disposed of has not been produced.

## THE CAPITAL PUB COMPANY PLC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

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We have audited the parent company financial statements of The Capital Pub Company Plc for the year ended 26 March 2011 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 16 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **Opinion on the financial statements**

In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 26 March 2011,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

## THE CAPITAL PUB COMPANY PLC

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CAPITAL PUB COMPANY PLC

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or
- returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

#### Other matter

We have reported separately on the group financial statements of The Capital Pub Company Plc for the year ended 26 March 2011



Samantha Russell (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House  
St Katharine's Way  
London E1W 1DD

21 June 2011

#### Notes

(a) The maintenance and integrity of The Capital Pub Company Plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

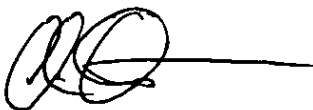
**THE CAPITAL PUB COMPANY PLC**

**Company Balance Sheet as at 26 March 2011**

	Note	2011 £ 000	2011 £ 000	2010 £ 000	2010 £ 000
<b>FIXED ASSETS</b>					
Intangible assets	3		-		110
Tangible fixed assets	4		1,705		65,792
Investment property	5		-		1,800
Investments	6		67,622		262
			<u>69,327</u>		<u>67,964</u>
<b>CURRENT ASSETS</b>					
Stock		23		302	
Debtors due within one year	7	337		486	
Debtors due after more than one year	8	-		79	
Cash at bank and in hand		4,788		2,299	
		<u>5,148</u>		<u>3,166</u>	
<b>CREDITORS: amounts falling due within one year</b>	9	(4,522)		(5,163)	
<b>NET CURRENT ASSETS / (LIABILITIES)</b>			<u>626</u>		<u>(1,997)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>69,953</u>		<u>65,967</u>
<b>CREDITORS amounts falling due after more than one year</b>	10		(24,798)		(29,264)
<b>PROVISIONS FOR LIABILITIES</b>	12		-		(796)
			<u>45,155</u>		<u>35,907</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		13,484		10,293
Share premium account	15		14,106		10,647
Revaluation reserve	15		535		15,436
Investment in own shares	15		(422)		(422)
Share option value reserve	15		339		233
Profit and loss account	15		17,113		(280)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16		<u>45,155</u>		<u>35,907</u>

These financial statements were approved by the board on 21 June 2011

C WATSON  
Director



## 1 ACCOUNTING POLICIES

The financial information has been prepared under the historical cost convention, as modified by the revaluation of land and buildings, on a going concern basis and in accordance with applicable accounting standards. In accordance with Financial Reporting Standard ('FRS') 18, the Company has reviewed its accounting policies and estimation techniques and considers that these policies are the most appropriate. The following principal accounting policies have been applied:

### Turnover

Turnover represents sales to customers in the public houses and management fees to third parties charged less value added tax. Turnover from sales to customers is recognised once the sale has occurred. Turnover from management fees is recognised when the Company has performed its obligation and in return obtained the right to consideration.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Depreciation is provided to write off the cost or valuation of a fixed asset on a straight-line basis over its estimated useful life, taking account of expected residual values, based on prices prevailing at the date of acquisition or subsequent valuation, using the following rates:

Fixtures, fittings and equipment	- 12.5% straight-line
Computer equipment	- 50% straight-line
Leasehold land and buildings	- over the lease term

Depreciation is not charged on freehold buildings, because of the long expected useful lives of the properties and their high residual value. In accordance with FRS 15, regular impairment reviews are performed on those properties as prescribed by FRS 11, ensuring the estimated residual values of the properties are not materially different from the carrying value of the property. The portfolio of public houses is re-valued professionally every three years. Any material surplus arising on revaluation is credited to the revaluation reserve where it remains until the time it crystallises, at which point it is transferred to the profit and loss account.

### Investment properties

In accordance with SSAP19, 'Accounting for Investment Properties', investment properties are revalued annually at an open market value. The valuation is conducted by an external valuer every three years, but in the current year it has been determined by the Directors. Revaluation surpluses and temporary deficits are included in the revaluation reserve, permanent deficits being taken through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties as the Directors of the Company do not consider that systematic depreciation or amortisation is appropriate.

### Intangible fixed assets and goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets of the leasehold property acquired, is capitalised and is amortised on a straight-line basis over its estimated useful economic life, being the length of the lease. If goodwill is considered to be impaired this is written down against profit.

### Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value  
Investments held as current assets are stated at the lower of cost and net realisable value

### Stock

Stocks are finished goods valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

### Cash flow

The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 'Cash flow statements'. The cash flows of the Company are included in the consolidated financial statements.

### Financial instruments

Financial instruments are treated as debt or equity according to their underlying nature, as required by FRS25.

Instruments containing contractual obligations to transfer cash or other financial assets are classified as financial liabilities. Instruments evidencing a residual interest in the Company's assets, after deducting all of its liabilities, are classified as equity and are included within shareholder funds.

Dividend distributions payable to equity shareholders are included in current liabilities when the dividends are approved in general meetings prior to the balance sheet date, but remain unpaid as at the balance sheet date.

The Company has the following derivative financial instruments in place, full details of which can be found in the Group financial statements.

<i>Derivative financial instruments</i>	<i>Interest rate</i>
£15m swap expiring September 2016	6.70%
£5m swap expiring September 2017	7.04%
£8m swap expiring September 2013	6.45%

### Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Share-based payment**

All share-based payment arrangements granted after 7 November 2002 which had not vested by the date of transition to FRS20 are recognised in the profit and loss account

All services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets)

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to 'Share option value reserve'

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

### **Leased assets**

Operating lease rentals are charged to the profit and loss statement on a straight-line basis over the term of the lease. There are no finance leases.

### **Capitalisation of borrowing costs**

Borrowing costs are capitalised when a public house is closed for a significant refurbishment. Borrowing costs are capitalised at the Group's cost of borrowing.

## **2 PROFIT FOR THE YEAR**

In accordance with the exemption permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. The profit for the year attributable to ordinary shareholders and dealt with in the accounts of the Company was £2,503,000 (2010: loss £2,194,000).



# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

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### 3 INTANGIBLE FIXED ASSETS

	<b>Purchased goodwill £ 000</b>
<b>Cost</b>	
At 27 March 2010	110
Group transfers	(110)
At 26 March 2011	<hr/> -
<b>Amortisation and impairment</b>	
At 27 March 2010	-
Charge for the year	5
Group transfers	(5)
At 26 March 2011	<hr/> -
<b>Net book value:</b>	
At 26 March 2011	<hr/> - <hr/>
At 27 March 2010	<hr/> 110 <hr/>

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

### 4 TANGIBLE FIXED ASSETS

	Freehold buildings £ 000	Leasehold land and buildings £ 000	Fixtures, fittings and equipment £ 000	Computer equipment £ 000	Total £ 000
<b>Cost or valuation</b>					
At 27 March 2010	58,734	2,105	8,278	329	69,446
Additions	89	63	1,850	32	2,034
Acquired in business combination	-	50	-	-	50
Disposals	(3,360)	-	(200)	-	(3,560)
Group transfers	(55,463)	(738)	(9,457)	-	(65,658)
At 26 March 2011	-	1,480	471	361	2,312
<b>Depreciation</b>					
At 27 March 2010	-	155	3,187	312	3,654
Charge for the year	-	78	913	10	1,001
Disposals	-	-	(78)	-	(78)
Group transfers	-	(98)	(3,872)	-	(3,970)
At 26 March 2011	-	135	150	322	607
<b>Net book value:</b>					
At 27 March 2011	-	1,345	321	39	1,705
At 27 March 2010	58,734	1,950	5,091	17	65,792

All land and buildings were revalued by AG&G Chartered Surveyors on 27 March 2010. The properties were valued as operational entities, taking into account their trading potential. The Directors have considered the fair value of the freehold properties and are satisfied, given both the quality of the estate and the quality of trading, that carrying values are not materially different from the market value. For further details on the Group Transfer please refer to Note 6 below.

If freehold and leasehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

	Freehold buildings £ 000	Leasehold land and buildings £ 000
Accumulated depreciation at 26 March 2011	-	135
Net book amount at 26 March 2011	-	950
Accumulated depreciation at 27 March 2010	-	155
Net book amount at 27 March 2010	46,485	1,819

### 5 INVESTMENT PROPERTIES

	Total £ 000
<b>Cost or valuation</b>	
At 27 March 2010	2,253
Group Transfers	(2,253)
At 26 March 2011	-
<b>Depreciation</b>	
At 27 March 2010	453
Group Transfers	(453)
At 26 March 2011	-
<b>Net book value:</b>	
At 26 March 2011	-
At 27 March 2010	1,800

Investment properties previously represented the value of the freehold pub The Peer which is let on a 15 year lease. This has now been transferred to another Group company. For further details on the Group Transfer please refer to Note 6 below.

### 6 INVESTMENTS

	Associate £ 000	Subsidiaries £ 000	Total £ 000
At 27 March 2010	262	-	262
Additions	8	67,352	67,360
At 26 March 2011	270	67,352	67,622

## THE CAPITAL PUB COMPANY PLC

### Notes to the financial statements for the year ended 26 March 2011

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The Company acquired a 40% interest in Ensco 600 Limited, a company incorporated in England and Wales, on 11 January 2010. The reporting date of Ensco 600 Limited is 31 December, revenue and profits shown are for the year ended December 2010 and the total assets and liabilities are from unaudited figures to 31 March 2011. The principle activity of Ensco 600 Limited is the ownership and operation of the freehold pub The Havelock Tavern.

On 12 August 2010 the Company acquired 100% of the issued share capital of Tomahawk Pubs Limited. The Consideration for the transfer was £5,034,000 in cash. The value of these shares was deemed to be equal to the net assets transferred. Details of the net assets acquired and consideration can be found on Page 52.

The Company acquired 100% of the issued share capital of Capital Pub Company Trading Limited ("CPCT") through the incorporation of the company on 14 February 2011. On 17 March 2011 the majority of the Company's trade and assets were transferred to CPCT at net book value. CPCT will prepare its first set of accounts to 31 March 2012. This structure permits the separate reporting of the trading operations of the business from the corporate and administrative side, and is a more commercial structure given the Company's stated growth plans.

The Consideration for the transfer was 100% of the issued share capital of CPCT. The value of the shares was deemed to be equal to the net assets transferred. The table below summarises the assets and liabilities transferred.

	2011 £ 000	2011 £ 000
<b>FIXED ASSETS</b>		
Intangible assets		105
Tangible fixed assets		61,688
Investment property		<u>1,800</u>
		63,593
<b>CURRENT ASSETS</b>		
Stock	334	
Debtors due within one year	221	
Debtors due after more than one year	81	
Cash at bank and in hand	49	
	<u>685</u>	
<b>CREDITORS: amounts falling due within one year</b>	(1,181)	
<b>NET CURRENT LIABILITIES</b>		(496)
<b>PROVISIONS FOR LIABILITIES</b>		(779)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>62,318</u>

# THE CAPITAL PUB COMPANY PLC

## Notes to the financial statements for the year ended 26 March 2011

### 7 DEBTORS: DUE WITHIN ONE YEAR

	2011 £ 000	2010 £ 000
Current		
Trade debtors	-	96
Amounts owed by associated undertakings	40	-
Deferred tax (note 12)	91	-
Prepayments and accrued income	206	134
Other debtors	-	256
	<u>337</u>	<u>486</u>

### 8 DEBTORS: DUE AFTER MORE THAN ONE YEAR

	2011 £ 000	2010 £ 000
Other debtors	-	79
	<u>-</u>	<u>79</u>

### 9 CREDITORS: FALLING DUE WITHIN ONE YEAR

	2011 £ 000	2010 £ 000
Bank loans and overdrafts	1,205	1,337
Trade payables	137	1,472
Corporation tax	762	707
Taxation and social security	708	756
Accruals	1,126	891
Amounts owed to subsidiary undertakings	584	-
	<u>4,522</u>	<u>5,163</u>

### 10 CREDITORS: FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £ 000	2010 £ 000
Bank loans	<u>24,798</u>	<u>29,264</u>

## **11 BORROWINGS**

The bank loan and overdraft are secured by a fixed charge over all of the Company's properties, and a debenture over the assets of the Company. The loan is repayable in instalments between 2011 and 2017 with a bullet payment in 2017. Bank borrowings are repayable as follows:

	<b>2011</b>	2010
	<b>£ 000</b>	£ 000
Within one year		
Bank overdraft	-	-
Bank borrowings	<b>1,205</b>	1,337
After one and within two years		
Bank borrowings	<b>1,288</b>	1,420
After two and within five years		
Bank borrowings	<b>4,417</b>	4,810
After five years		
Bank borrowings	<b>19,256</b>	23,221
	<b>26,166</b>	30,788

## **12 PROVISION FOR DEFERRED TAX**

	<b>2011</b>	2010
	<b>£ 000</b>	£ 000
The deferred tax included in the balance sheet is as follows:		
Included in debtors	<b>91</b>	-
Included in provisions for liabilities and charges	-	(796)
Total recognised deferred tax asset/(liability)	<b>91</b>	(796)
Accelerated capital allowances	-	(909)
Tax losses carried forward	-	71
Other temporary differences	<b>91</b>	42
Total recognised deferred tax asset/(liability)	<b>91</b>	(796)
Deferred tax liability at the start of the year	<b>(796)</b>	(793)
Deferred tax credit/(charge) in profit and loss account for the year	<b>108</b>	(3)
Group transfer	<b>779</b>	-
Deferred tax asset/(liability) at the end of the year	<b>91</b>	(796)

### 13 SHARE CAPITAL

Please refer to the information on page 50 for the disclosure relating to share capital

### 14 SHARE OPTIONS

Please refer to the information on pages 52, 53 and 54 for the disclosure relating to share options

### 15 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £ 000	Revaluation reserve account £ 000	Investment in own shares £ 000	Share option value reserve account £ 000	Profit and loss account £ 000
At 27 March 2010	10,647	15,436	(422)	233	(280)
Shares issued in the year	3,459	-	-	-	-
Dividends paid	-	-	-	-	(11)
Cost of share-based payments	-	-	-	106	-
Profit for the year	-	-	-	-	2,503
Revaluation	-	(132)	-	-	132
Net Group Transfer	-	(14,769)	-	-	14,769
At 26 March 2011	<b>14,106</b>	<b>535</b>	<b>(422)</b>	<b>339</b>	<b>17,113</b>

Included within the profit and loss account is £14,769,000 of non-distributable reserves

### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £ 000	2010 £ 000
Profit/(loss) for the year	2,503	(2,193)
Ordinary share capital issued	3,191	340
Ordinary share premium issued	3,459	59
Dividends paid	(11)	(1)
Cost of share-based payments	106	91
Revaluation	-	668
Investment in own shares	-	(422)
	<b>9,248</b>	<b>(1,458)</b>
Opening shareholders' funds	<b>35,907</b>	<b>37,365</b>
Closing shareholders' funds	<b>45,155</b>	<b>35,907</b>

## 17 COMMITMENTS UNDER OPERATING LEASES

The Group has entered into commercial property leases on certain leasehold properties, consisting of public houses. These non-cancellable leases have various remaining non-cancellable lease terms of up to 34 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. As at 26 March 2011, the Company had annual commitments as set out below. The figure below also includes satellite contracts non-cancellable within one year.

	<b>2011 Other</b>	2010 Other	<b>2011 Land and buildings £ 000</b>	2010 Land and buildings £ 000
Operating leases which expire				
Within one year	<b>252</b>	165	<b>152</b>	-
Two to five years	-	-	<b>175</b>	430
Over five years	-	-	<b>485</b>	405

## 18 DIVIDENDS

Please refer to the information on page 55 for the disclosure relating to dividends.

## 19 RELATED PARTY TRANSACTIONS

Please refer to the information on page 55 for the disclosure relating to related party transactions.

## 20 SUBSIDIARIES

The Company owns 100% of the issued share capital of Terisco Limited and Tomhawk Limited.

The Company owns 100% of the issued share capital of Capital Pub Company Trading Limited ("CPCT"). During the year the majority of the Company's trade and assets were transferred to CPCT at net book value. CPCT will prepare its first set of accounts to 31 March 2012.

## 21 POST BALANCE SHEET EVENTS

Please refer to the information on page 56 for the disclosure relating to post balance sheet events.



## **THE CAPITAL PUB COMPANY PLC**

### **Company portfolio**

#### **The Actress**

90 Crystal Palace Road, London SE22 9EY Tel 020 8693 2130

#### **The Alexandra**

14 Clapham Common South Side, London SW4 7AA Tel 020 7627 5102

#### **The Anglesea Arms**

15 Selwood Terrace, London SW7 3QG Tel 020 7373 7960

#### **The Belle Vue**

1 Clapham Common South Side, London SW4 7AA Tel 020 7498 9473

#### **The Bishop**

27 Lordship Lane, London SE22 8EW Tel 020 8693 3994

#### **The Black Swan**

Old Lane, Ockham, Surrey KT11 1NG Tel 01932 862 364

#### **The Boaters Inn**

Canbury Gardens, Lower Ham Road, Kingston-upon-Thames KT2 5AU Tel 020 8541 4672

#### **The Clarence**

90-92 Balham High Road, London SW12 9AG Tel 020 8772 1155

#### **The Durell Arms**

704 Fulham Road, London SW6 5SB Tel 020 7736 3014

#### **The Florence**

131-133 Dulwich Road, London SE24 0NG Tel 020 7326 4987

#### **The George**

213 Strand, London WC2R 1AP Tel 020 7353 9638

#### **The Golden Lion**

25 King Street, London SW1Y 6QY Tel 020 7925 0007

#### **The Havelock Tavern**

57 Masbro Road, Brook Green, W14 0LS Tel 020 7603 5374

#### **The Hemingford Arms**

158 Hemingford Road, London N1 1DF Tel 020 7607 3303

#### **The Hog in the Pound**

28 South Molton Street, London W1K 5RF Tel 020 7493 7720

#### **The Inn at Kew Gardens & Kew Gardens Hotel**

292 Sandycombe Road, Kew TW9 3NG Tel 020 8940 2220

#### **The Ladbroke Arms**

54 Ladbroke Road, London W11 3NW Tel 020 7727 6648

## **THE CAPITAL PUB COMPANY PLC**

### **Company portfolio**

#### **The Larrik Inn**

425 New Kings Road, London SW6 4RN Tel 020 7371 9585

#### **The Marquis of Granby**

142 Shaftesbury Avenue, London WC2H 8HJ Tel 020 7836 8609

#### **The Merchant**

23-25 Battersea Rise, London SW11 1HG Tel 020 7228 4187

#### **The Morgan Arms**

43 Morgan Street, Bow, London E3 5AA Tel 020 8980 6389

#### **The New Cross House**

316 New Cross Road, London SE14 6AF Tel 020 8691 8875

#### **The Paxton**

255 Gipsy Road, London SE27 9QY

#### **The Priory**

53-54 St John's Square, London EC1V 4JL

#### **The Rye**

31 Peckham Rye, London SE15 3NX Tel 020 7639 5397

#### **The Southern Belle**

175-177 Fulham Palace Road, London W6 8QT Tel 020 7381 8682

#### **The Square Pig**

30-32 Procter Street, London WC1V 6NX Tel 020 7691 3144

#### **The Teddington Arms**

38-40 High Street, Teddington TW11 8EW Tel 020 8973 1510

#### **The Victoria Inn**

79 Choumert Road, Peckham, SE15 4AR Tel 020 7639 5052

#### **The Wandle**

332 Garrett Lane, London SW18 4EJ Tel 020 8874 4209

#### **The Warwick Castle**

6 Warwick Place, London W9 2PX Tel 020 7266 0921

#### **The World's End**

21-23 Stroud Green Road, London N4 3EF Tel 020 7281 8679

#### **Ye Olde Monken Holt**

193 High Street, Barnet EN5 5SU Tel 020 8449 4280